

Eversholt Rail (UK) Limited

**Unaudited, condensed interim financial statements
for the 6 months ended 30 June 2016**

Registered No: 06953114

Condensed interim financial statements

for the 6 months ended 30 June 2016

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Eversholt Rail (UK) Limited

Condensed income statement

for the 6 months ended 30 June 2016

| | <i>Notes</i> | 6 months ended | |
|---|--------------|-----------------------|-----------------------|
| | | 30 June 2016 £'000 | 30 June 2015 £'000 |
| Revenue | | | |
| Maintenance income | | 35,521 | 39,935 |
| Service charge income | | 9,997 | 8,042 |
| Other income | | 542 | 527 |
| Total income | | <u>46,060</u> | <u>48,504</u> |
| Maintenance expense | | <u>(27,878)</u> | <u>(32,174)</u> |
| Gross profit | | 18,182 | 16,330 |
| Finance income | 4 | 49,963 | 44,731 |
| Finance expense | 5 | (42,722) | (42,319) |
| Profit/(loss) on fair value adjustment of derivative financial instrument | | 55 | (81) |
| Pension finance expense | | - | (40) |
| Loss on disposal of property, plant and equipment | | - | (163) |
| Administrative expense | 6 | <u>(9,756)</u> | <u>(10,579)</u> |
| Profit before tax | | 15,722 | 7,879 |
| Income tax charge | | <u>(3,118)</u> | <u>(1,900)</u> |
| Profit for the period | | <u>12,604</u> | <u>5,979</u> |

There were no discontinued or discontinuing operations during the period.

The notes on pages 6 to 10 form an integral part of these financial statements.

Condensed statement of comprehensive income

for the 6 months ended 30 June 2016

| | | 6 months ended | |
|--|----|-----------------------|-----------------------|
| | | 30 June 2016 £'000 | 30 June 2015 £'000 |
| Profit for the period | | 12,604 | 5,979 |
| Other comprehensive expense | | | |
| Actuarial losses on defined benefit scheme | 14 | - | (735) |
| Tax in respect of actuarial losses on defined benefit scheme | | - | 149 |
| Total comprehensive income for the period | | <u>12,604</u> | <u>5,393</u> |

Condensed statement of financial position

as at 30 June 2016

| | <i>Notes</i> | 30 June 2016 £'000 | 31 December 2015 £'000 |
|---|--------------|--------------------------|------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 973 | 889 |
| Deferred tax | 8 | 1,142 | 1,333 |
| Loans receivable | 9 | <u>2,147,119</u> | <u>1,496,628</u> |
| | | <u>2,149,234</u> | <u>1,498,850</u> |
| Current assets | | | |
| Inventory | | 1,252 | 1,355 |
| Trade and other receivables | 10 | 28,602 | 26,805 |
| Cash and cash equivalents | | 11,218 | 45,339 |
| Loans receivable | 9 | <u>51,099</u> | - |
| | | <u>92,171</u> | <u>73,499</u> |
| Total assets | | <u>2,241,405</u> | <u>1,572,349</u> |
| Liabilities and equity | | | |
| Current liabilities | | | |
| Trade and other payables | 11 | 14,643 | 16,017 |
| Current tax – amounts due to group relief | | 7,464 | 4,538 |
| Borrowings | 12 | 114,170 | 37,664 |
| Provisions | | 114 | 1,154 |
| Derivative financial instruments | | 5 | 60 |
| | | <u>136,396</u> | <u>59,433</u> |
| Non-current liabilities | | | |
| Borrowings | 12 | 1,965,096 | 1,389,493 |
| Deferred revenue | 13 | 10,649 | 6,763 |
| Retirement benefit obligation | 14 | <u>2,763</u> | <u>2,763</u> |
| | | <u>1,978,508</u> | <u>1,399,019</u> |
| Total liabilities | | <u>2,114,904</u> | <u>1,458,452</u> |
| Equity | | | |
| Share capital | | 100,000 | 100,000 |
| Retained earnings | | <u>26,501</u> | <u>13,897</u> |
| Total equity | | <u>126,501</u> | <u>113,897</u> |
| Total equity and liabilities | | <u>2,241,405</u> | <u>1,572,349</u> |

The notes on pages 6 to 10 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 27 September 2016. They were signed on its behalf by:



A J Wesson
Director

Company registration number: 06953114

Condensed statement of cash flows

for the 6 months ended 30 June 2016

| | 6 months ended | |
|---|-----------------|----------------|
| | 30 June 2016 | 30 June 2015 |
| | £'000 | £'000 |
| Cash flows from operating activities | | |
| Profit before tax | 15,722 | 7,879 |
| Adjustments for: | | |
| - Depreciation | 130 | 299 |
| - Write down in the value of inventory | 103 | 103 |
| - Gain on fair value of derivative financial instruments | (55) | 81 |
| - Loss on disposal of property, plant and equipment | - | 163 |
| - Adjustment for non-cash element of pension charge | - | 76 |
| - Finance income | (49,963) | (44,731) |
| - Finance expense | 42,722 | 42,319 |
| Operating cash flow before changes in working capital | <u>8,659</u> | <u>6,189</u> |
| Increase in trade and other receivables | (1,797) | (12,690) |
| (Decrease)/increase in trade and other payables | (1,374) | 2,114 |
| Increase/(decrease) in deferred revenue | 3,886 | (983) |
| (Decrease)/increase in provisions | (1,040) | 153 |
| Cash generated by/(utilised in) operating activities | <u>8,334</u> | <u>(5,217)</u> |
| Tax paid | - | (2,466) |
| Net cash generated by/(utilised in) operating activities | <u>8,334</u> | <u>(7,683)</u> |
| Investing activities | | |
| Acquisition of property, plant and equipment | (214) | (84) |
| Net cash utilised in investing activities | <u>(214)</u> | <u>(84)</u> |
| Financing activities | | |
| Finance income received | 49,963 | 44,731 |
| Finance expense paid | (42,722) | (42,319) |
| Movement in working capital loan accounts | (129,425) | 78,883 |
| Term loan raised/(repaid) to Eversholt Funding plc | 80,000 | (35,000) |
| Intercompany interest accrued | (57) | (210) |
| Net cash (utilised in)/generated by financing activities | <u>(42,241)</u> | <u>46,085</u> |
| Net (decrease)/increase in cash and cash equivalents | <u>(34,121)</u> | <u>38,318</u> |
| Cash and cash equivalents at beginning of the period | 45,339 | 10,382 |
| Cash and cash equivalents at end of the period | <u>11,218</u> | <u>48,700</u> |

Eversholt Rail (UK) Limited

Condensed statement of changes in equity

for the 6 months ended 30 June 2016

| | Called up Share capital £'000 | Retained earnings £'000 | Total shareholders' equity £'000 |
|--|-------------------------------------|-------------------------------|---|
| Balance at 1 January 2015 | 100,000 | 14 | 100,014 |
| Profit for the year | - | 13,764 | 13,764 |
| Actuarial gain on defined benefit scheme after tax | - | 119 | 119 |
| Balance at 31 December 2015 | <u>100,000</u> | <u>13,897</u> | <u>113,897</u> |

| | Share capital £'000 | Retained earnings £'000 | Total shareholders' equity £'000 |
|----------------------------------|------------------------|-------------------------------|---|
| Balance at 1 January 2016 | 100,000 | 13,897 | 113,897 |
| Profit for the period | - | <u>12,604</u> | <u>12,604</u> |
| Balance at 30 June 2016 | <u>100,000</u> | <u>26,501</u> | <u>126,501</u> |

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2016

1 General information

Eversholt Rail (UK) Limited (the "Company") is a company incorporated and domiciled in England and Wales. The registered office of the Company is 210 Pentonville Road, London, N1 9JY.

2 Basis of preparation

These financial statements are presented in £'000. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.1 Compliance with International Financial Reporting Standards

The financial statements of Eversholt Rail (UK) Limited have been prepared on the historical cost basis.

The condensed interim financial report has been prepared in accordance with *IAS 34 Interim Financial Reporting* as adopted by the European Union. Selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in financial position and performance of the Company since the last annual financial statements as at and for year ended 31 December 2015. This condensed interim financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the financial statements for the year ended 31 December 2015.

2.2 Going concern

The Company's forecasts and projections taking account of reasonably possible changes in trading performance show that the Company has adequate resources to continue in the operational existence for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis in preparing financial statements.

3 Summary of significant accounting policies

The accounting policies applied by the Company in this condensed interim financial report are the same as those applied by the Company in its financial statements for the year ended 31 December 2015.

4 Finance income

| | 6 months ended | |
|-----------------------------------|----------------|---------------|
| | 30 June 2016 | 30 June 2015 |
| | £'000 | £'000 |
| Bank interest | 56 | 126 |
| Other interest | 14 | - |
| Interest on working capital loans | 32,680 | 44,605 |
| Interest on ERF GB term loan | 17,213 | - |
| | <u>49,963</u> | <u>44,731</u> |

5 Finance expense

| | 6 months ended | |
|---|-----------------|-----------------|
| | 30 June 2016 | 30 June 2015 |
| | £'000 | £'000 |
| Finance charge payable to Eversholt Funding plc | (42,722) | (42,304) |
| Other interest | - | (15) |
| | <u>(42,722)</u> | <u>(42,319)</u> |

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2016

6 Administrative expense

Administrative expenses include the following:

| | 6 months ended | |
|--------------|----------------|--------------|
| | 30 June 2016 | 30 June 2015 |
| | £'000 | £'000 |
| Depreciation | (130) | (299) |
| Audit fees | (16) | (11) |

7 Property, plant and equipment

| | Fixtures and fittings £'000 | Equipment £'000 | Total £'000 |
|---------------------------------------|-----------------------------------|--------------------|----------------|
| Cost | | | |
| Balance at 1 January 2015 | 1,225 | 1,907 | 3,132 |
| Additions | 27 | 433 | 460 |
| Disposals | - | (413) | (413) |
| Balance at 31 December 2015 | 1,252 | 1,927 | 3,179 |
| Additions | 1 | 213 | 214 |
| Disposals | - | - | - |
| Balance at 30 June 2016 | <u>1,253</u> | <u>2,140</u> | <u>3,393</u> |
| Depreciation | | | |
| Balance at 1 January 2015 | 1,001 | 1,018 | 2,019 |
| Charge for the year | 193 | 327 | 520 |
| Disposals | - | (249) | (249) |
| Balance at 31 December 2015 | 1,194 | 1,096 | 2,290 |
| Charge for the period | 13 | 117 | 130 |
| Disposals | - | - | - |
| Balance at 30 June 2016 | <u>1,207</u> | <u>1,213</u> | <u>2,420</u> |
| Net carrying value | | | |
| Carrying value at 30 June 2016 | <u>46</u> | <u>927</u> | <u>973</u> |
| Carrying value at 31 December 2015 | <u>58</u> | <u>831</u> | <u>889</u> |

8 Deferred tax

| | 30 June 2016 £'000 | 31 December 2015 £'000 |
|--|--------------------------|------------------------------|
| Non-current asset | | |
| Balance at beginning of the period/year | 1,333 | 1,077 |
| Amount arising from temporary differences | (213) | 450 |
| Change in tax rates | 22 | (168) |
| Other comprehensive income: actuarial movement on retirement benefit obligations | - | (26) |
| Balance at end of the period/year | <u>1,142</u> | <u>1,333</u> |

Temporary differences relate principally to accelerated capital allowances, depreciation and the actuarial adjustment in relation to the defined benefit pension scheme.

Reduction in the UK corporation tax rate to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. The deferred tax asset at 30 June 2015 has been calculated based on the rate of 20% substantively enacted at the reporting date.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2016

8 Deferred tax (continued)

Further reductions to 19% from 1 April 2017 and 18% from 1 April 2020 were substantively enacted on 18 November 2015. As a result of this reduction the company's future current tax charge will reduce.

The deferred tax asset at 30 June 2016 has been calculated based on the rate of 18% substantively enacted at the reporting date. The effect of the change in the rate to 18% is included in these financial statements.

9 Loans receivable

| | 30 June 2016 £'000 | 31 December 2015 £'000 |
|---|--------------------------|------------------------------|
| Current | | |
| Term lending to ERF GB | <u>51,099</u> | <u>-</u> |
| Non-current | | |
| European Rail Finance Holdings Limited | 3,031 | 2,385 |
| Eversholt Finance Holdings (UK) Limited | 11 | 8 |
| European Rail Finance (2) Limited | 45,558 | 44,133 |
| Eversholt Rail Holdings (UK) Limited | 112,262 | 112,050 |
| European Rail Finance Limited | - | 988,238 |
| Eversholt Rail (365) Limited | - | 18,118 |
| Eversholt Funding plc | 35,539 | 34,951 |
| Eversholt Investment Limited | 53,289 | 8,134 |
| Eversholt Depot Finance (UK) Limited | 14,758 | 15,998 |
| European Rail Finance (GB) Limited | 363,119 | 272,613 |
| Term lending to ERF GB | <u>1,519,552</u> | <u>-</u> |
| | <u>2,147,119</u> | <u>1,496,628</u> |

The term loan with European Rail Finance (GB) Limited enabled the European Rail Finance (GB) Limited to settle in full, its rental obligations under the finance lease with European Rail Finance Limited. The loan is repayable on or before 1 April 2036 with capital and interest payable on a monthly basis. Interest is charged at LIBOR plus margin.

The intragroup working capital loans provided by Eversholt Rail (UK) Limited are classified as non-current as they are repayable on or before 4 November 2018. Borrowing entities may prepay and redraw loans until the repayment date. Interest on the loans is payable monthly at a floating rate, which substantially matches the rate of the Group's senior debt, plus margin (2015: senior debt plus margin).

10 Trade and other receivables

| | 30 June 2016 £'000 | 31 December 2015 £'000 |
|------------------------|--------------------------|------------------------------|
| Trade receivables | 96 | 238 |
| Other receivables | 12 | 12 |
| VAT | 1,465 | 2,488 |
| Overheads prepayment | 721 | 464 |
| Maintenance prepayment | <u>26,308</u> | <u>23,603</u> |
| | <u>28,602</u> | <u>26,805</u> |

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2016

11 Trade and other payables

| | 30 June 2016 £'000 | 31 December 2015 £'000 |
|---|--------------------------|------------------------------|
| Trade payables | 3,884 | 7,146 |
| Other payables | 906 | 805 |
| Maintenance and administrative accruals | 9,853 | 8,066 |
| | <u>14,643</u> | <u>16,017</u> |

12 Borrowings

| | Current 30 June 2016 £'000 | Non - current 30 June 2016 £'000 | Current 31 December 2015 £'000 | Non - current 31 December 2015 £'000 |
|--|-------------------------------------|---|---|---|
| Eversholt Rail (380) Limited | - | - | 3,438 | - |
| Eversholt Funding plc | 100,000 | 1,340,000 | 20,000 | 1,340,000 |
| Eversholt Rail (365) Limited | - | 33,818 | - | 49,493 |
| Intercompany internal accrued interest | 14,170 | - | 14,226 | - |
| European Rail Finance Limited | - | 591,278 | - | - |
| | <u>114,170</u> | <u>1,965,096</u> | <u>37,664</u> | <u>1,389,493</u> |

The loan with Eversholt Rail (380) Limited is repayable on demand.

The loan with Eversholt Funding plc mirrors the terms of the Company's external debt.

The loan with Eversholt Rail (365) Limited is unsecured and is repayable on 4 November 2018. The loan is interest free.

The loan with European Rail Finance Limited is classified as non-current as it is repayable on 4 November 2018. Interest is charged at LIBID plus a margin.

13 Deferred revenue

Rentals received in relation to future maintenance costs are deferred and released when these costs are incurred.

| | 30 June 2016 £'000 | 31 December 2015 £'000 |
|---|--------------------------|------------------------------|
| Arising in respect of maintenance contracts | <u>10,649</u> | <u>6,763</u> |

14 Retirement benefit obligations

14.1 Reconciliation of Net Defined Benefit liability

| | 30 June 2016 £'000 | 31 December 2015 £'000 |
|---|--------------------------|------------------------------|
| Opening Net Defined Benefit Liability | 2,763 | 2,686 |
| Employer's share of pension expense | (104) | 534 |
| Employer contributions | 104 | (312) |
| Total (gain)/loss recognised in statement of comprehensive income | - | (145) |
| Closing Net Defined Benefit Liability | <u>2,763</u> | <u>2,763</u> |

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2016

14 Retirement benefit obligations (continued)

14.2 Other comprehensive income

| | 30 June 2016 £'000 | 31 December 2015 £'000 |
|---|-----------------------------------|---------------------------------------|
| Loss due to liability experience | - | 41 |
| Loss due to liability assumption changes | - | 194 |
| Return on plan assets greater than discount rate | - | (380) |
| Total gain recognised in statement of comprehensive income | - | (145) |

15 Related party transactions

The Company has received fees for the provision of maintenance, procurement and management services to other group companies as follows:

| | 6 months ended | |
|--------------------------------------|-----------------------------------|-----------------------------------|
| | 30 June 2016 £'000 | 30 June 2015 £'000 |
| European Rail Finance (GB) Limited | 9,402 | 1,043 |
| European Rail Finance Limited | 50 | 6,103 |
| Eversholt Rail (380) Limited | - | 491 |
| Eversholt Rail (365) Limited | 468 | 338 |
| Eversholt Depot Finance (UK) Limited | 77 | 68 |

Loan accounts are more fully described in notes 9 and 12. Interest receivable/(payable) on these loan accounts is described in notes 4 and 5.

16 Contingent liabilities

There were no contingent liabilities for the Company at 30 June 2016.

17 Subsequent events

On 2 August 2016 the Group signed contracts with First Greater Western Limited and Hitachi Rail Europe Limited to purchase and lease new rolling stock.